

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57507; File No. SR-ISE-2007-77)

March 14, 2008

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing of Proposed Rule Change, as Modified by Amendment Nos. 1 and 2 Thereto, Relating to Complex Orders

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 24, 2007 the International Securities Exchange, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the ISE. On November 27, 2007, the Exchange filed Amendment No. 1 to the proposed rule change.<sup>3</sup> The Exchange filed Amendment No. 2 to the proposed rule change on March 11, 2008.<sup>4</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as modified by Amendment Nos. 1 and 2, from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The ISE proposes to amend ISE Rule 722 pertaining to Complex Orders to provide an opportunity for marketable complex orders to receive price improvement and to provide more specificity on the mechanics of how complex orders are executed. The text of the proposed rule change is available at ISE, the Commission’s Public Reference Room, and [www.iseoptions.com](http://www.iseoptions.com).

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Amendment No. 1 expanded the discussion in the purpose section of the original filing, but did not change the text of the proposed rule change.

<sup>4</sup> Amendment No. 2 modified the original filing to make exposure of marketable complex orders voluntary. Amendment No. 2 replaced the original filing in its entirety.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the ISE included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

ISE Rule 722 describes execution principles for complex orders, including priority rules regarding the execution of complex orders when there are Public Customer orders resting on the Exchange's limit order book in the options series that comprise the individual leg(s) of a complex order. The Exchange's System automatically executes complex orders in conformance with the requirements of ISE Rule 722, and the Exchange is not proposing any changes to these substantive requirements. Additionally, other ISE rules, such as Rule 717(d) and (e) that require members to expose orders to the marketplace before executing them against proprietary or solicited orders, also apply to the execution of complex orders. The Exchange is not proposing any changes to the application of these other Exchange rules to the execution of complex orders.

The purpose of the proposed rule change is to amend ISE Rule 722 to provide an opportunity for marketable complex orders to receive price improvement and to provide more specificity in the Rule on the mechanics of how complex orders are executed by the System in conformance with the existing requirements of Rule 722.<sup>5</sup> In particular, the Exchange proposes

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<sup>5</sup> The Exchange also proposes to delete an outdated cross reference from ISE Rule 722. Specifically, ISE Rule 722(b)(5) specifies that the restrictions on order entry contained in









